



DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

**TE/GE: EO Examinations
625 Fulton Street, Room 503
Brooklyn, NY 11201**

501.03-00

**TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION**

July 19, 2010

Number: **201040026**
Release Date: 10/8/2010

LEGEND

**ORG = Organization name
XX = Date Address = address**

**Taxpayer Identification Number:
Person to Contact:
Identification Number:
Contact Telephone Number:**

**ORG
ADDRESS**

CERTIFIED MAIL

Dear :

This is a final adverse determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code (the Code). Our favorable determination letter to you dated January 9, 20XX is hereby revoked and you are no longer exempt under section 501(a) of the Code effective January 1, 20XX.

The revocation of your exempt status was made for the following reason(s):

You are not operating exclusively for any charitable purpose, educational purpose, or any other exempt purpose. Our examination reveals that you are not engaged primarily in activities which accomplish charitable, educational or other exempt purposes as required by Treas. Reg. 1.501(c)(3)-1(c)(1). Your activities, including your financial transactions, more than insubstantially furthered non-exempt purposes. Moreover, you failed to establish that you did not operate for the benefit for the private interest of a private shareholder or individual, as required for continued recognition of exemption pursuant to Treas. Reg. 1.501(c)(3)-1(d)(1)(ii). Your income inured to the benefit of private shareholders and individuals.

Contributions to your organization are no longer deductible under IRC §170 after January 1, 20XX.

You are required to file income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for the tax year ending December 31, 20XX and for all tax years thereafter in accordance with the instructions of the return.

Processing of income tax returns and assessments of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination under the declaratory judgment provisions of section 7428 of the Code, a petition to the United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia must be filed before the 91st Day after the date this determination was mailed to you. Please contact the clerk of the appropriate court for rules regarding filing petitions for declaratory judgments by referring to the enclosed Publication 892. You may write to these courts at the following addresses:

You also have the right to contact the Office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal Appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free, 1-877-777-4778, and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

We will notify the appropriate State Officials of this action, as required by Code section 6104(c). You should contact your State officials if you have any questions about how this final determination may affect your State responsibilities and requirements.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Nanette M. Downing
Director, EO Examinations

Enclosure:
Publication 892



DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

TE/GE EO Examinations

1500 Ormsby Station Court Suite A – Stop 700

Louisville, KY 40223

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

December 14, 2009

LEGEND

ORG = Organization name

XX = Date Address = Address

ORG

ADDRESS

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Dear :

We have enclosed a copy of our report of examination explaining why we believe revocation of your exempt status under section 501(c)(3) of the Internal Revenue Code (Code) is necessary.

If you accept our findings, please sign and return the enclosed Form 6018, Consent to Proposed Action - Section 7428. If you have already given us a signed Form 6018, you need not repeat this process. We will issue a final revocation letter.

If you do not agree with our proposed revocation, you must submit to us a written request for Appeals Office consideration within 30 days from the date of this letter to protest our decision. Your protest should include a statement of the facts, the applicable law, and arguments in support of your position.

An Appeals officer will review your case. The Appeals office is independent of the Director, EO Examinations. The Appeals Office resolves most disputes informally and promptly. The enclosed Publication 3498, The Examination Process, and Publication 892, Exempt Organizations Appeal Procedures for Unagreed Issues, explain how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

You may also request that we refer this matter for technical advice as explained in Publication 892. If we issue a determination letter to you based on technical advice, no further administrative appeal is available to you within the IRS regarding the issue that was the subject of the technical advice.

If we do not hear from you within 30 days from the date of this letter, we will process your case based on the recommendations shown in the report of examination. If you do not protest this proposed determination within 30 days from the date of this letter, the IRS will consider it to be a failure to exhaust your available administrative remedies. Section 7428(b)(2) of the Code provides, in part: "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the

Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted its administrative remedies within the Internal Revenue Service." We will then issue a final revocation letter.

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If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Nanette M. Downing, Acting Director
Exempt Organizations Examinations

Enclosures:
Publication 892
Publication 3498
Report of Examination



DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

TE/GE EO Examinations

1500 Ormsby Station Court Suite A – Stop 700

Louisville, KY 40223

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

December 14, 2009

LEGEND

ORG = Organization name

XX = Date Address = Address

ORG

ADDRESS

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

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If you accept our findings, please sign and return the enclosed Form 6018, Consent to Proposed Action - Section 7428. If you have already given us a signed Form 6018, you need not repeat this process. We will issue a final revocation letter.

If you do not agree with our proposed revocation, you must submit to us a written request for Appeals Office consideration within 30 days from the date of this letter to protest our decision. Your protest should include a statement of the facts, the applicable law, and arguments in support of your position.

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If we do not hear from you within 30 days from the date of this letter, we will process your case based on the recommendations shown in the report of examination. If you do not protest this proposed determination within 30 days from the date of this letter, the IRS will consider it to be a failure to exhaust your available administrative remedies. Section 7428(b)(2) of the Code provides, in part: "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the

Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted its administrative remedies within the Internal Revenue Service." We will then issue a final revocation letter.

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If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Nanette M. Downing, Acting Director
Exempt Organizations Examinations

Enclosures:
Publication 892
Publication 3498
Report of Examination

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
Name of Taxpayer ORG		Year/Period Ended 20XX - 20XX

LEGEND

ORG = Organization name
COMPANY

XX = Date

County = county

CO-1 = 1st

Issue:

Whether ORG (ORG) continues to meet the requirements of Internal Revenue Code (IRC) section 501(c)(3), and therein continues to qualify for exemption from Federal income tax.

Facts:

Organizational

ORG was granted tax-exempt status under IRC 501(c)(3) on January 9, 20XX.

The Constitution and Bylaws (dated December 1, 20XX) state,

Article II: Purpose

1. To raise public aware of the history, culture, and current conditions of Native People.
2. To organize and develop programs for the advancement of interests of Native People.
3. To educate others of the Native way of life.
4. To provide a "home" for Native People, their descendants, and those who come seeking a Tribal unit.
5. To support Members who suffer economic or emotional difficulties to the extent of the organization's capabilities.
6. To engage in all other scientific, educational, or cultural activities of benefit to the membership.

Article IV: Membership

....Members of ORG shall be Native American People, their descendants, and all other persons who subscribe to the purpose of the association....

Article VIII: Resignations and Removals

- ... 3. Actions that may result in removal include but not limited to:
- A. Possession, use, and/or distribution of alcohol and/or drugs at Tribal functions...

On April 7, 20XX, the CO-1 (CO-1) assumed the name of ORG. **See Exhibit A.**

CO-1 is not a tax-exempt organization under any Code Section.

Activities

During the course of the examination, ORG was asked to provide written documentation concerning the exempt and non-exempt activities.

In response to the exempt activities, ORG provided copies of the weekly minutes. The minutes stated that on a weekly basis, normally 6 – 8 members would have "Drum Practice" for approximately four hours. The "Drum Practice" was the only entry on the minutes that indicated what occurred at the meeting. A few

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
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other topics at the meetings including bingo, spring gathering, and Christmas party. ORG also held annual gatherings that were open to members only.

In response to the non-exempt activities, ORG provided a brief summary of the charitable gaming activity. ORG stated that in 20XX, 1456 man hours was devoted to bingo

ORG applied for and was granted a charitable gaming license (ORG # 1775) by the Department of Charitable Gaming (DCG). On or about August 21, 20XX, DCG suspended ORG's charitable gaming license for failing to retain the required 40% (or greater) of the adjusted gross receipts. For 20XX, ORG only retained 5.67%.

On January 29, 20XX, ORG was asked to describe its involvement with the "CO-1."

ORG's response (**See exhibit B**).

"...we obtained a DBA Certification as the CO-1. All of our business dealings are done under the name ORG.

Membership

During the course of the examination, ORG was asked to provide their membership applications. Part of the application process included genealogy information.

The application states,

..... "Please give a brief outline of your tribal lineage and why you wish to become a member of ORG on a separate sheet. ***It is required that you have the information provided on these forms notarized so you have a legal document showing your Native ancestry.*** Do not list family members above, unless they wish to become tribal members, and are under eighteen."

44 membership applications were provided. 44 applications included genealogy information.

Financial

ORG has two separate bank accounts. One labeled general and one gaming.

The Form 990 for the period ended December 31, 20XX reported gross receipts from charitable gaming activities as \$\$ and total gross receipts as \$ \$.

In 20XX, zero dollars were spent for a tax-exempt purpose.

The Form 990-EZ for the period ended December 31, 20XX reported gross receipts from charitable gaming activities as \$ \$ and total gross receipts as \$ \$.

In 20XX, zero dollars were spent for a tax-exempt purpose.

The Form 990 for the period ended December 31, 20XX reported gross receipts from charitable gaming activities as \$ \$ and total gross receipts as \$ \$

In 20XX, \$ \$ was possibly spent for a tax-exempt purpose.

For 20XX, ORG filed an electronic post-card stating that its gross receipts are normally less than \$ \$.

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit
Explanation of Items		
Name of Taxpayer		Year/Period Ended
ORG		20XX - 20XX

Pull-Tab Inventory

From June 30, 20XX – September 30, 20XX, an analysis of ORG's Pull-tab inventory was conducted. Based off of the information provided, 27 additional boxes of pull-tabs were sold but not accounted for.

ORG was asked for an explanation. ORG failure to provide a response.

20XX Activities

On or about March 7, 20XX the County County Sherriff Department conducted a raid on the CO-1 for illegally selling alcohol without a license.

Posted in the club were "CO-1 Rules." The rules were printed on ORG letterhead. **See Exhibit C.**

On May 21, 20XX, ORG was provided a copy of the newspaper articles for comment. ORG stated **See Exhibit D,**

"The CO-1 has absolutely nothing to do with the ORG the people working this club were doing so in hopes of creating jobs for themselves and others and were not being paid. We also lost about \$\$ in the five weeks we were open, so I/m afraid there won't be any taxes to collect. We were not running this establishment as a non-profit."

Law:

Section 501(a) of the Internal Revenue Code exempts from taxation organizations described in subsection (c) or (d) under this subtitle unless such exemption is denied under section 502 or 503.

Section 501(c)(3) of the Code exempts from taxation: "Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office."

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for charitable, educational, or scientific purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Treasury Regulation 1.501(c)(3)-(a)(1) provides, in part, that: "In order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt."

Section 1.501(c)(3)-1 of the Income Tax Regulations provides:

(c) Operational test--(1) Primary activities. An organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
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such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Section 1.501(c)(3)-1(c)(2) of the Income Tax Regulations provides that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

Section 1.501(c)(3)-1(d)(1)(ii) provides that the burden of proof is on the organization to establish that it is not organized and operated for the benefit of private interests.

Church in Boston v. Commissioner, 71 T.C. 102, 107 (1978), provides, in part, that the word "exclusively" does not mean "solely" or "without exception." An organization which engages in nonexempt activities can obtain and maintain exempt status so long as such activities are only incidental and insubstantial. (World Family Corp. v. Commissioner, 81 T.C. 958, 963 (1983).) Neither the Internal Revenue Code, the regulations nor the case law provide a general definition of "insubstantial" for purposes of 501(c)(3). This is an issue of fact to be determined under the facts and circumstances of each particular case. (World Family Corp. v. Commissioner, supra at 967.)

In Help The Children, Inc. v. Commissioner 28 TC 1128 (1957), the court held that an organization engaged in fund-raising activities through operation of bingo games and whose actual charitable contributions consisted of contributions to charitable institutions of insubstantial amounts when compared to its gross receipts from operation of bingo games, did not qualify for exemption under section 501(c)(3) of the Code.

Petitioner's fund-raising activities consisted of the operation of bingo games at the Lodge of the Fraternal Order of the Eagles. It also operated a soda bar, and miscellaneous activities. Income from the soda bar and miscellaneous activities was reported on the returns as \$2,843.25 for 1953 and \$3,672.64 for 1954. The gross receipts from the fixed charge or donation for the use of the bingo cards were \$313,802.20 for 1953 and \$306,309.85 for 1954.

Petitioner did not operate any charitable institutions and its actual charitable function consisted of contributions to various individual doctors and institutions. These contributions totaled \$2,880 in 1953 and \$3,873.20 in 1954. Its principal activity was the profitable operation of bingo games on a business or commercial basis. The principal source of gross receipts was from the fixed charge or donation assessed against each player for the use of the bingo cards.

Therefore, the court held that the petitioner failed to establish that it is entitled to a tax-exempt status in the taxable years in question.

In Make a Joyful Noise, Inc. v. Commissioner, 56 TCM 1003 (1989), the court held that operating regularly scheduled bingo games on behalf of other exempt organizations was a trade or business unrelated to the organization's exempt purposes.

In that case, the court concluded that the petitioner failed to carry its burden of proving that its participation in bingo games was an insubstantial part of its activities.

In P.L.L. Scholarship Fund v. Commissioner, 82 TC 196 (1984) the Tax Court held that petitioner was not operated exclusively for exempt purposes under the provisions of section 501(c)(3), I.R.C. 1954, and section 1.501(c)(3)-1(c)(1), Income Tax Regs. Therefore, it is not exempt from Federal income tax.

Petitioner was incorporated as a nonprofit corporation for the purpose of raising money to be used for providing college scholarships. The money was raised from the operation of bingo games on the premises

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ORG		20XX - 20XX

of a commercial establishment.

The court stated that: "After careful consideration of the entire record, this Court finds that the petitioner has not carried its burden of showing that it was operated exclusively for an exempt purpose under the required standards."

The court further stated that: "Since the record in this case does not show that the petitioner was operated exclusively for exempt purposes, but rather indicates that it benefited private interests, exemption was properly denied."

In People of God Community v. Commissioner, 75 TC 127 (1980), the court held, that part of petitioner's net earnings inured to the benefit of private shareholders or individuals and that petitioner was not exempt as an organization described in section 501(c)(3), of the Internal Revenue Code of 1954.

The court stated that the burden falls upon petitioner to establish the reasonableness of the compensation. The court indicated that by basing compensation upon a percentage of petitioner's gross receipts, apparently subject to no upper limit, a portion of petitioner's earnings was being passed on to an individual.

The court stated that: "The statute specifically denies tax exemption where a portion of net earnings is paid to private shareholders or individuals. We hold here that paying over a portion of gross earnings to those vested with the control of a charitable organization constitutes private inurement as well. All in all, taking a slice off the top should be no less prohibited than a slice out of net."

Revenue Ruling 64-182, 1964-1 (Part 1) C.B. 186, concluded that an organization qualified for exemption under section 501(c)(3) of the Code where it used the proceeds from a business activity to conduct a charitable program, "commensurate in scope" with its financial resources, of making grants to other charitable organizations. Thus, an organization whose principal activity is operating games of chance may nevertheless qualify for exemption, provided it uses the proceeds of that business activity in a real and substantial charitable program (such as charitable grant making) commensurate in scope with its financial resources, and other wise meets the requirements of exemption.

The Callaway Family Association, Inc. v. Commissioner, 71 T.C. 340 (1978), held that a family association formed as a nonprofit organization to study immigration to and migration within the United States by focusing on its own family history and genealogy does not qualify for exemption under section 501(c)(3) of the Code. The association's activities included researching the genealogy of its members for the ultimate purpose of publishing a family history. The court stated that the association's family genealogical activities were not insubstantial and were not in furtherance of an exempt purpose. Rather, they served the private interests of the members. Thus, the association was not operated exclusively for exempt purposes. See also *Benjamin Price Genealogical Association v. United States*, Civil No. 78-2117 (D.D.C., April 26, 1979).

Revenue Ruling 80-301, 1980-2 CB 180, states a genealogical society that (1) opens its membership to all persons in a particular area, (2) provides instruction in genealogical research techniques to its members and to the general public, but does not research genealogies for its members, (3) conducts research projects and makes the results available to the state historical society, (4) provides materials for libraries and community displays, and (5) promotes various other related activities for the public qualifies for exemption under section 501(c)(3) of the Code.

Revenue Ruling 80-302, 1980-2 CB 182, states an organization that (1) limits its membership to descendants of a particular family, (2) compiles family genealogical research data for use by its members for reasons other than to conform to the religious precepts of the family's denomination, (3) presents the

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
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data to designated libraries, (4) publishes volumes of family history, and (5) promotes social activities among family members does not qualify for exemption under section 501(c)(3) of the Code.

Christian Echoes National Ministry, Inc. v. United States, 470 F2d 849 (1972), held, in part, that "tax exemption is a privilege, a matter of grace rather than right".

Government's position:

Activities

Based on the information provided by ORG, drum practice accounted for a substantial amount of the organization's time. Drum practice in its self does not constitute an exempt purpose and is considered a non-exempt activity.

The other activities outlined in ORG's response do not serve a tax-exempt purpose and are also considered a non-exempt activity. The bingo activity conducted by ORG does not serve a charitable purpose and is considered a non-exempt activity.

Based on the information furnished, approximately 100% of ORG's time was devoted to activities that do not serve a charitable purpose. These activities primarily include the operation of a bingo session and drum practice.

In 20XX, ORG had 2467 hours devoted to non-exempt activities (including 1640 hours of drum practice) and 0 hours devoted to exempt activities.

In 20XX, ORG had 2082 hours devoted to non-exempt activities (including 1416 hours of drum practice) and 0 hours devoted to exempt activities.

In 20XX, ORG had 936 hours devoted to non-exempt activities (including 306 hours of drum practice) and 0 hours devoted to exempt activities.

Membership

ORG's membership applications that were provided by ORG were basically limited to people of Cherokee Indian decent. The genealogical information was for use of the members and does not constitute a tax-exempt purpose was outlined in Rev. Rul. 80-302.

Financial

Gross income from you exempt function activities was \$. 100% of your gross income came from your charitable gaming activities.

0% of your gross income was spent on a tax-exempt purpose.

	20XX	20XX	20XX	3-Year Average
Gross Income	\$	\$	\$	\$
Possible Charitable Expenses	\$ -	\$ -	\$ \$.00	\$ \$.00
Percentage	0.00%	0.00%	%	%

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Name of Taxpayer		Year/Period Ended
ORG		20XX - 20XX

Pull-tab inventory

Since ORG was unable to provide an explanation for the 27 boxes of pull-tabs, the proceeds of the pull-tabs must have went to private interests. The additional income was not deposited into the bank and not used for a tax-exempt purpose.

20XX Activities

The operation of an illegal club in which the primary activity is the selling of bootleg alcohol in a dry county to members of ORG is not a tax-exempt purpose.

You are operated similar to the organizations described in Make a Joyful Noise v. Commissioner; Help the Children v. Commissioner; and P.L.L. Scholarship Fund, v. Commissioner. Those cases involved organizations engaged primarily in fund raising activities through bingo games. The courts held that neither organization qualified for exemption under section 501(c)(3) of the Internal Revenue Code because they were not operated exclusively for exempt purposes.

Because a substantial part of your activities is not in furtherance of an exempt purpose, we have determined that you are not operated exclusively for an exempt purpose pursuant to section 501(c)(3) of the Internal Revenue Code and section 1.501(c)(3)-1(c)(1) of the Income Tax Regulations.

In addition, by engaging in substantial activities that serve private rather than public interests, you are not operated exclusively for one or more exempt purposes pursuant to section 1.501(c)(3)-1(d)(1)(ii) of the Income Tax Regulations. (See Church in Boston v. Commissioner and World Family Corp. v. Commissioner.)

The amount of income distributed from the bingo account for possible charitable and other IRC 501(c)(3) purposes in the year ended 20XX was \$, year ended 20XX was \$, and year ended 20XX was \$\$ respectively. The percentage of gross bingo income distributed for possible charitable purposes was approximately 0% for the year ended 20XX, 0% for year ended 20XX, and approximately 0.78% for the year ended 20XX. Over a three-year period, a possible 0.20% was spent on charitable purposes.

Based on the amount of gross bingo income that was distributed for charitable purposes, we have concluded that the amount of the proceeds received from your bingo activities to conduct charitable and educational programs is not "commensurate in scope" with the financial resources of your bingo operation. (See Revenue Ruling 64-182, 1964-1 (Part 1) C.B. 186)

Taxpayer's position:

The taxpayer's position is unknown at this time.

Conclusion:

Based on the analysis of your activities and the sources and amounts of your gross income and expenses, we have determined that you no longer meet the requirements for exemption under section 501(c)(3) of the Internal Revenue Code.

You are operated similar to the organizations described in Make a Joyful Noise v. Commissioner; Help the Children v. Commissioner; and P.L.L. Scholarship Fund, v. Commissioner. Those cases involved organizations engaged primarily in fund raising activities through bingo games. The courts held that

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
Name of Taxpayer ORG		Year/Period Ended 20XX - 20XX

neither organization qualified for exemption under section 501(c)(3) of the Internal Revenue Code because they were not operated exclusively for exempt purposes.

Based on the amount of gross bingo income that was distributed for charitable purposes, we have concluded that the amount of the proceeds received from your bingo activities to conduct charitable and educational programs is not "commensurate in scope" with the financial resources of your bingo operation. (See Revenue Ruling 64-182, 1964-1 (Part 1) C.B. 186)

Because a substantial part of your activities is not in furtherance of an exempt purpose, we have determined that you are not operated exclusively for an exempt purpose pursuant to section 501(c)(3) of the Internal Revenue Code and section 1.501(c)(3)-1(c)(1) of the Income Tax Regulations.

By engaging in substantial activities that serve private rather than public interests, you are not operated exclusively for one or more exempt purposes pursuant to section 1.501(c)(3)-1(d)(1)(ii) of the Income Tax Regulations. (See Church in Boston v. Commissioner and World Family Corp. v. Commissioner.)

Based on the facts, law and conclusions cited above, we have determined that you no longer qualify for exemption under section 501(c)(3) of the Internal Revenue Code.

Therefore, your exemption under section 501(c)(3) of the Internal Revenue Code is revoked effective **January 1, 20XX**, the first day of the year that we determined that you are not operated exclusively for exempt purposes.

Contributions made to you after **January 1, 20XX**, are not deductible under section 170 of the Internal Revenue Code.

The appropriate state officials will be notified.